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S. H. KRESS & COMPANY

ANNUAL REPORT

1955

S. H. KRESS

THIS SIDE OF CARD IS FOR ADDRESS

Mr. L. K. Guiler, Asst. Treasurer

S. H. Kress & Co.

114 Fifth Avenue

New York 11, N. Y.

FEBRUARY 3, 1956

PLEASE INDICATE BELOW WHETHER OR NOT YOU WISH US TO CONTINUE SENDING YOU A COPY OF OUR ANNUAL REPORT AND INTERIM REPORT:

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NAME _____

COMPANY (IF ANY) _____

STREET ADDRESS _____

CITY (ZONE) AND STATE _____

S. H. KRESS & COMPANY

BUYING-EXECUTIVE OFFICES

114 FIFTH AVENUE, NEW YORK 11, N. Y.

Directors

R. H. KRESS

C. G. TRAMMELL — C. L. ABRY

O. V. W. HAWKINS — C. M. FUNK

H. L. SPENCER — W. B. SUTHERLAND

Officers

R. H. KRESS
Chairman of the Board

C. G. TRAMMELL
President

C. L. ABRY
Vice President

W. B. SUTHERLAND
Vice President

O. V. W. HAWKINS
Vice President and Secretary

C. M. FUNK
Vice President and Treasurer

C. H. WILLIAMSON
Assistant Secretary

W. M. WEAVER
Assistant Treasurer

D. C. WELLS
Controller

L. K. GUILER
Assistant Treasurer

General Counsel: DUER, STRONG & WHITEHEAD, New York, N. Y.
Transfer Agent: BANKERS TRUST COMPANY, New York, N. Y.
Registrar: CHEMICAL CORN EXCHANGE BANK, New York, N. Y.

OPERATIONS AT A GLANCE

		Amount 1955	*Cents Per Dollar 1955*	*1954*
SALES TO CUSTOMERS		$167,896,337	99.4	99.6
RENTAL INCOME, INTEREST, ETC.		1,049,658	.6	.4
Total amount received		$168,945,995	100.0	100.0
DEDUCT:				
Merchandise, rent and operating expenses other than taxes, wages and salaries and employe benefits		$113,210,562	67.0	67.5
Taxes paid to Federal, state, county and municipal governments (not including taxes paid by the Company for employe Social Security benefits)		12,368,262	7.4	7.1
Wages and salaries and other employe benefits paid to or provided for:				
All employes other than officers	$31,979,854			
Officers	498,083			
Social Security taxes	849,688			
Retirement pension, group life insurance contributions, and miscellaneous benefits	982,127			
Total		34,309,752	20.3	20.5
Dividends paid to shareholders		7,127,502	4.2	4.2
Total amount distributed		$167,016,078	98.9	99.3
BALANCE:				
Earnings retained for use in the business		$ 1,929,917	1.1	.7

S. H. KRESS & COMPANY

January 27, 1956

To the Shareholders of S. H. Kress & Company:

THE ANNUAL REPORT of S. H. Kress & Company for the year ended December 31, 1955, together with comparative statements of earnings and financial condition, certified by Price Waterhouse & Co., independent public accountants appointed by the Board of Directors, is submitted herewith.

Sales

Total sales for the year were $167,896,337 which was .9% less than in 1954. Decrease in sales for 1955 was due in part to the loss of volume at stores which were enlarged, renovated or entirely rebuilt during the year. These stores included some of the largest units operated by the Company.

The average sales per store amounted to $640,826 for the 262 stores in operation on December 31, 1955, as compared to $641,730 for 264 stores at the end of 1954.

Earnings

The 1955 earnings, before provision for Federal taxes on income, amounted to $18,307,419 or $7.71 per share. This included a non-recurring profit on the sale of property not used for store purposes.

The net earnings for 1955, after deducting Federal income taxes, amounted to $9,057,419 as compared to $8,346,217 for the previous year. 1955 earnings per share on each of the 2,375,834 shares of common stock outstanding at December 31, 1955 were $3.81 compared with $3.51 for 1954.

Dividends

Dividends of $3.00 per share of common stock were paid in 1955, the same as paid in 1954. Total dividends amounted to $7,127,502 for 1955 as compared with $7,090,772 for the previous year.

Wages and Salaries

Wages and salaries paid to all employes, including officers and directors totaled $32,477,937 in 1955.

A Christmas bonus was again paid to all employes other than executives amounting to $266,705. The Length of Service Compensation payment made in previous years has been included in wages paid during 1955.

In addition to the above payments, the Company contributed $849,688 as its share of Social Security taxes paid in 1955 for the benefit of employes.

The Company's share of contributions toward the cost of retirement pension benefits, group life insurance and miscellaneous employe benefits amounted to $982,127.

A total of $34,309,752 or 20.3¢ of each dollar received was paid for wages, salaries and employe benefits in 1955.

Taxes

As shown in the statement of earnings, the Company's provision for 1955 Federal income taxes amounts to $9,250,000, compared to $9,100,000 for the year 1954. This, together with the other direct taxes paid by the Company, including Social Security taxes, totaled $13,217,950 which is equivalent to $5.56 per share of common stock outstanding or 46% more than the earnings per share. Out of each dollar of sales, 7.9¢ was used to meet these taxes.

Inventory

On December 31, 1955, inventories of merchandise on hand and in transit amounted to $30,629,732 compared with $30,117,437 at the end

of 1954. As in prior years, inventories were valued at the lower of average cost or market, as calculated by the retail inventory method.

New Stores — Future Expansion

At the end of the year, there were 262 stores in operation. One store was closed because renewal of the lease could not be negotiated at a rental which could justify continued operation.

In 1955, purchases of land and expenditures for buildings, fixtures and equipment, totaled $8,718,711.

The Company's program of expansion and modernization of stores continued during 1955. Since 1953, when the present program was started, 3 new stores have been opened, 4 new and enlarged stores have been constructed to replace existing stores, and 31 stores have been enlarged or modernized. The Company's building program has been to a large extent concentrated on the enlargement and improvement of existing units where, because of population growth, facilities were no longer adequate to take advantage of the greater sales opportunity.

Shareholders

The stock records of the Company show that there were 11,126 common stock shareholders at the end of the year, an increase of 1,091 compared with the previous year. At December 31, 1955, 1,046 employes were shareholders of the Company.

Personnel

The Board of Directors and officers again gratefully acknowledge the cooperation, initiative and loyalty evidenced during the past year by the many thousands of men and women associated with the Company whose individual efforts were reflected in the final results. The achievements of the entire organization in improving the quality of customer service, merchandising, and the reduction of operating costs through constant research has been most gratifying. Emphasis on effective training and educational programs has been a long standing policy of the Company and will continue.

As a token of appreciation of long service and loyalty, the Company continued its established practice of paying special honor to the employes who reached the 25th anniversary of their employment. 48 employes attained this milestone during 1955. On December 31, 1955, 319 employes had service records of 25 years or more while a total of 1,468 had completed 10 years or more of service.

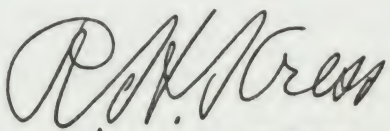
Suppliers

Suppliers and manufacturers continued to work wholeheartedly with the Company during 1955 in maintaining the standards of quality and superior values made available to Kress customers. The popularity of Kress stores is, to a considerable extent, traceable to the close relationship which has existed so many years between the Company and many of its suppliers.

The Founder

Mr. S. H. Kress died on September 22, 1955 in his 92nd year. His basic concept of retailing was to make higher quality merchandise available to everyone at the lowest prices possible. His objectives first began to be achieved when he opened the first Kress store in Memphis, Tennessee in 1896. Mr. Kress' outstanding qualities as a merchant, his thoroughness, foresight and keen grasp of business principles provided the foundation on which the sound and substantial growth of the Kress organization has been built.

Mr. Kress was an inspiring example through his character, courage and leadership, to all those who came in contact with him. He has left the Company a rich heritage and a deep and abiding faith in the principles in which he so firmly believed and which he so successfully applied during his lifetime.



CHAIRMAN

S. H. KRESS & COMPANY

Statement of Earnings

	Year Ended December 31, *1955*	*1954*
SALES	$167,896,337	$169,416,847
Rental received from tenants	510,505	522,482
Profit on sale of property	495,917	—
Interest received, etc. (net)	43,236	106,428
	168,945,995	170,045,757
Deduct:		
Cost of merchandise sold and operating expenses	147,247,447	148,997,359
Depreciation and amortization	2,604,050	2,471,447
Employes' retirement pension plans	787,079	819,674
Excess of market value at date of sale over selling price of common stock sold to officers and employes	—	311,060
	150,638,576	152,599,540
EARNINGS BEFORE FEDERAL TAXES ON INCOME	18,307,419	17,446,217
Deduct:		
Federal taxes on income	9,250,000	9,100,000
NET EARNINGS	9,057,419	8,346,217
Deduct:		
Dividends paid ($3.00 per share)	7,127,502	7,090,772
EARNINGS FOR THE YEAR RETAINED FOR USE IN THE BUSINESS	$ 1,929,917	$ 1,255,445

S. H. KRESS & COMPANY

ASSETS	December 31, 1955	1954
CURRENT ASSETS:		
Cash	$ 11,486,828	$14,800,712
U. S. Government securities, at amortized cost, which approximates market	5,995,719	8,025,138
Sundry debtors	1,616,778	57,630
Inventories of merchandise, including merchandise in transit, at lower of average cost or market	30,629,732	30,117,437
Total current assets	49,729,057	53,000,917
OTHER ASSETS:		
Loans and advances to landlords and miscellaneous notes receivable	287,314	302,566
Prepaid insurance premiums, rents, etc.	699,066	448,314
Total other assets	986,380	750,880
CAPITAL ASSETS:		
Fixtures and equipment, at cost	26,262,095	24,477,294
Less—Provision for depreciation	15,963,577	15,559,915
	10,298,518	8,917,379
Leasehold improvements, at cost	25,317,335	24,078,951
Less—Provision for amortization	12,044,042	11,665,620
	13,273,293	12,413,331
Land and buildings owned in fee, at cost in cash and capital stock	61,371,074	57,251,344
Less—Provision for depreciation	16,631,666	15,694,611
	44,739,408	41,556,733
Total capital assets	68,311,219	62,887,443
	$119,026,656	$116,639,240

Statement of Financial Condition

LIABILITIES	December 31, 1955	1954
CURRENT LIABILITIES:		
Accounts payable—trade creditors and merchandise in transit	$ 3,148,094	$ 2,734,201
Accrued salaries and expenses, and miscellaneous accounts payable	7,419,346	6,842,850
Federal taxes on income	8,923,735	9,456,625
Total current liabilities	19,491,175	19,033,676
CAPITAL:		
Capital stock:		
Special preferred stock—6% cumulative—		
Authorized—1,000,000 shares of $10 each		
All issued shares reacquired for treasury		
Common stock without par value—		
Authorized 2,678,787 shares, including 125,840 shares reserved for sale to employes		
Issued—2,381,734 shares	49,710,193	49,710,193
Accumulated earnings retained for use in the business	49,943,805	48,013,888
Less—Cost of 5,900 shares of common stock reacquired	118,517	118,517
	49,825,288	47,895,371
Total capital stock and accumulated earnings	99,535,481	97,605,564
	$119,026,656	$116,639,240

Note: At December 31, 1955 the Company was obligated under 136 leases expiring after December 31, 1958 some of which require, in addition to the minimum rentals now being paid, payments of additional rentals based on sales, and payments of real estate taxes, maintenance and insurance. The aggregate amount charged against operations for the year 1955 under all leases was $3,034,853.

ACCOUNTANTS' REPORT

PRICE WATERHOUSE & CO.

56 PINE STREET
NEW YORK 5

January 27, 1956

To the Shareholders of S. H. Kress & Company:

In our opinion, the accompanying statements present fairly the financial position of S. H. Kress & Company at December 31, 1955 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

Comparative Record

OF SALES, EARNINGS, AND DIVIDENDS

Year	*No. of Stores*	*Sales*	*Earnings Before Federal Taxes on Income*	*Federal Taxes on Income*	*Net Earnings After Federal Taxes on Income*	*Net Earnings Per Share of Common Stock*	*Dividends Paid Per Share of Common Stock*
1945	244	$126,038,945	$16,687,280	$11,675,000	$ 5,012,280	$2.13	$1.60
1946	242	150,926,508	20,785,531	8,000,000	12,785,531	5.44	4.20
1947	243	155,359,900	20,572,077	7,900,000	12,672,077	5.39	3.50
1948	250	165,366,617	20,638,578	7,800,000	12,838,578	5.46	4.25
1949	256	163,923,437	16,148,204	6,100,000	10,048,204	4.27	3.00
1950	259	161,657,149	20,946,641(a)	8,900,000	12,046,641(a)	5.12(a)	3.00
1951	259	172,390,827	20,111,936(b)	10,100,000	10,011,936(b)	4.26(b)	3.00
1952	261	176,241,576	19,090,842	9,950,000	9,140,842	3.89	3.00
1953	262	172,979,646	18,906,294	9,880,000	9,026,294	3.84	3.00
1954	264	169,416,847	17,446,217	9,100,000	8,346,217	3.51	3.00
1955	262	167,896,337	18,307,419	9,250,000	9,057,419	3.81	3.00

(a) Includes restoration of excess provision for Federal taxes on income for prior years amounting to $700,000 or 30¢ per share.
(b) Includes restoration of depreciation taken in prior years, less Federal taxes, amounting to $675,171 or 29¢ per share.

KRESS STORES

ALABAMA (13)
Anniston
Bessemer
Birmingham
Dothan
Ensley
Gadsden
Huntsville
Mobile
Montgomery
No. Birmingham
Prichard
Selma
Tuscaloosa

ARIZONA (5)
Douglas
Nogales
Phoenix
Tucson
Yuma

ARKANSAS (6)
Blytheville
Fort Smith
Helena
Hot Springs
Little Rock
Pine Bluff

CALIFORNIA (44)
Alhambra
Anaheim
Bakersfield
Berkeley
Calexico
El Centro
Eureka
Fresno
Glendale
Hollywood
Huntington Park
Inglewood
Long Beach
Los Angeles (11)
Modesto
Oakland
Pasadena
Pomona
Richmond
Riverside
Sacramento
Salinas
San Bernardino
San Diego
San Fernando
San Francisco (2)
San Jose
San Pedro
Santa Ana
Santa Barbara
Santa Monica
Santa Rosa
Stockton

COLORADO (7)
Boulder
Colorado Springs
Denver
Grand Junction
Greeley
Pueblo
Trinidad

FLORIDA (14)
Daytona Beach
Jacksonville (2)
Key West
Lakeland
Miami
Miami Beach
Orlando
Pensacola
St. Petersburg
Sarasota
Tampa
West Palm Beach
Ybor City

GEORGIA (14)
Albany
Americus
Athens
Atlanta (2)
Augusta
Brunswick
Columbus
La Grange
Macon
Rome
Savannah
Valdosta
Waycross

HAWAII (4)
Hilo
Honolulu
Lihue
Wailuku

IDAHO (3)
Boise
Idaho Falls
Pocatello

ILLINOIS (2)
Cairo
Rockford

KANSAS (13)
Arkansas City
Chanute
Coffeyville
Emporia
Fort Scott
Hutchinson
Independence
Iola
Lawrence
Parsons
Pittsburg
Salina
Wichita

KENTUCKY (3)
Ashland
Hopkinsville
Winchester

LOUISIANA (6)
Alexandria
Baton Rouge
Lake Charles
Monroe
New Orleans
Shreveport

MISSISSIPPI (8)
Biloxi
Greenville
Hattiesburg
Jackson
Laurel
Meridian
Natchez
Vicksburg

MISSOURI (6)
Carthage
Jefferson City
Moberly
Nevada
Trenton
Webb City

MONTANA (2)
Billings
Great Falls

NEW JERSEY (2)
East Orange
Summit

NEW MEXICO (2)
Albuquerque
Roswell

NEW YORK (4)
New York City (4)

NORTH CAROLINA (14)
Asheville
Charlotte
Durham
Fayetteville
Gastonia
Goldsboro
Greensboro
High Point
New Bern
Raleigh
Rocky Mount
Salisbury
Wilmington
Winston-Salem

OHIO (1)
Youngstown

OKLAHOMA (15)
Ardmore
Bartlesville
Blackwell
Chickasha
Enid
Guthrie
Lawton
McAlester
Muskogee
Oklahoma City
Okmulgee
Ponca City
Sapulpa
Shawnee
Tulsa

OREGON (2)
Portland
Salem

PENNSYLVANIA (1)
Altoona

SOUTH CAROLINA (9)
Anderson
Charleston
Columbia
Florence
Greenville
Greenwood
Orangeburg
Spartanburg
Sumter

TENNESSEE (9)
Bristol
Chattanooga
Elizabethton
Johnson City
Kingsport
Knoxville
Memphis
Nashville (2)

TEXAS (37)
Abilene
Amarillo
Austin
Baytown
Beaumont
Brownsville
Corpus Christi
Corsicana
Dallas (2)
Del Rio
Denison
Eagle Pass
El Paso
Fort Worth
Gainesville
Galveston
Greenville
Harlingen
Hillsboro
Houston (3)
Laredo
Longview
Lubbock
Paris
Port Arthur
San Angelo
San Antonio (2)
Sherman
Texarkana
Tyler
Waco
Waxahachie
Wichita Falls

UTAH (3)
Ogden
Provo
Salt Lake City

VIRGINIA (1)
Roanoke

WASHINGTON (12)
Aberdeen
Bellingham
Bremerton
Everett
Seattle (4)
Spokane
Tacoma
Wenatchee
Yakima

Total—262 Stores in 29 States and the Territory of Hawaii

Tucson, Arizona

Natchez, Miss.

KRESS